

**VASHON ISLAND SCHOOL DISTRICT No. 402**  
**King County, Washington**  
**September 1, 1993 Through August 31, 1995**

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**Schedule Of Findings**

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1. District Officials Should Improve Controls Over The Journal Voucher Process

Our review of the district's journal voucher process disclosed internal control weaknesses. The district uses journal vouchers to post transactions relating to accrual of federal revenues, fiscal year-end receivables, cash held at King County, and correcting entries.

The following weaknesses were noted:

- a. Supporting documentation was seldom attached to vouchers. Substantial effort was required to obtain the support.
- b. Supervisory approval of the voucher was seldom evident.
- c. A consecutively numbered journal voucher control log was not maintained.
- d. A clear and distinct separation of duties was not maintained between persons preparing journal vouchers and persons with approval responsibility.

The variety of control exceptions and the pattern of errors indicated a shortage of well-trained staff and inadequate management oversight.

The weak controls over the journal voucher process permitted incorrect, improper, and mistimed entries to the district's accounting records and financial statements. The financial statements required extensive contracted assistance to correct. This condition increases the risk of errors going undetected as well as risk of loss of district assets.

We recommend district officials implement internal controls over the journal voucher process, requiring:

- a. Assignment of sequential numbers to each journal voucher prepared and maintenance of a log of the numbers assigned.
- b. The preparer sign and date the journal voucher and attach the supporting documentation.
- c. Someone other than the preparer approve the journal voucher, sign the voucher, and clearly indicate the date approved.
- d. The person responsible for data entry of the journal voucher sign and clearly indicate the date entered.

2. District Officials Need To Strengthen Controls Over Fixed Assets

Our review of the district's fixed assets disclosed the internal control weaknesses cited in our previous report had not been resolved:

- a. A centralized general ledger fixed asset accounting control system, including subsidiary fixed asset records, has been established but is not up-to-date.
- b. Physical inventory procedures do not provide for a reconciliation between the physical inventory and the general fixed asset accounting control records.
- c. Procedures are lacking to ensure purchase and asset retirements are accounted for in the district's financial records.
- d. The identification of assets purchased with federal funds is not readily recognized in the district's fixed asset accounting records. Federal grant programs require long-range accountability.
- e. Furniture and equipment are not identified with district tags or labels for proper accountability.

As a result, district officials do not have adequate information to ensure proper accountability of fixed assets. The district has not allocated sufficient resources to establish and maintain an adequate fixed asset control system.

While the *Accounting Manual for Public School Districts in the State of Washington* states the use of the general ledger fixed asset account group is optional, the district is still responsible for implementing controls to properly account for asset additions and retirements.

We recommend district officials improve internal controls over fixed assets by:

- a. Establishing and maintaining comprehensive general fixed asset accounting control records. Such records should document asset locations, location transfer, additions, and retirements as they occur. Supporting documentation for all changes should be retained.
- b. Performing a comprehensive periodic physical inventory. The results of the physical inventory should be reconciled with the general fixed asset control records, with the difference resolved and recorded.
- c. Identifying the district furniture and equipment with numbered property tags. The numbers should be recorded in the property records.
- d. Identifying in the property records federal funding sources as required by federal agency agreements.

3. District Officials Need To Establish Controls Over Imprest Funds

In our review of imprest checking funds maintained by the district, we noted several accounts exceeded the board approved balances. In one case, the balance was \$1,400 in excess of the board approved amount.

We also noted reconciliations between the bank statements and the board approved balances rarely occurred. At one school, officials did not maintain a check register balance.

It is general business practice to perform monthly reconciliations of all bank accounts. School officials did not appear to have received the training necessary to perform the required reconciliations.

Without monitoring, controlling, and reconciling, the imprest funds could be used for improper purposes, or errors could occur and pass undetected resulting in a loss of public funds.

We recommend district officials monitor, control, and reconcile monthly all imprest funds.